

Clawback Provision (Lookback Provision)

A provision within the partnership agreement that allows for a review of the total profit distributed by the partnership at the end of a defined period. The clawback is a mechanism to recapture overpayments to the general partner or its limited partners if either party received more than their stated carried interest.

Concentrated or Strategic Block Funds

These are funds that focus their investments in relatively few companies. Their intent is usually to gain board of director's representation or to sell their investment stake back to the company at a premium.

Crossover Funds

These are hedge funds that contain both a public markets component and a private markets component. Generally, the public market component is in the form of a long/short strategy.

Custodian

A bank or other financial institution that provides custody of stock certificates and other assets of an institutional investor.

Derivative

An instrument whose value is based on the performance of an underlying financial asset, index, or other investment. Classes of derivatives include futures contracts, options, currency forward contracts, swaps, and options on futures.

Due Diligence

The process of checking and verifying information as well as ensuring that sufficient analysis has been conducted before making an investment recommendation.

Financial Firewall

The legal protection from financial liability extending beyond the value of the investment in a Limited Liability Company or Limited Partnership.

General Partner

The manager of a limited partnership. The general partner has full responsibility for investing the capital. The general partner also bears personal liability for any lawsuits that arise from the investment's activities, but is often indemnified by the fund.

Leverage

A condition where a portfolio's market obligation may exceed the market-value-adjusted capital commitment by the amount of borrowed capital (debt).

Limited Liability Company

An alternative structure to a Limited Partnership. It is often described as a hybrid between a corporation and a partnership because it offers limited liability like a corporation and single taxation on income like a partnership.

Limited Partner

An investor in a limited partnership. Limited partners provide the capital but have no direct involvement in the management of the fund. Limited partners have limited liability but also have limited control over the management of the fund.

Limited Partnership

The most common format used in structuring private equity investments. Limited partners provide the capital but have no direct involvement in the management of the fund. Limited partners have limited liability but also have limited control over the management of the fund.

Manager

A professional responsible for managing the securities portfolio of an individual or institutional investor. In return for a fee, the money manager has the fiduciary responsibility to choose and manage investments prudently for their clients. In the System's case, an internal manager is a portfolio manager on the staff, while an external manager is an outside money management firm.

Partnership Agreement

Legal document that sets forth the terms and conditions of an investment vehicle. The partnership agreement also establishes the roles of general and limited partners.